Annual Report 2022

North Central Financial Services Limited

Community Bank
Charlton & District

ABN 90 140 265 394

Contents

Chairman's report

For year ending 30 June 2022

Greetings fellow shareholders. The AGM and reporting season seems to roll around ever more quickly and here we are at the end of another successful year for North Central Financial Services Limited.

As I began to write, I was reminded of (despite COVID-19) how well our staff and our community in general have handled these trying times. Yes, the stress imposed has no doubt been significant and for some individuals it has been almost overwhelming.

For those individuals I express my sincere hope that your personal circumstances have changed, and that life is beginning to improve. Mental health remains an issue and I urge all shareholders to be aware of fellow community members who may need assistance.

Despite the various pressures over the last few years, I believe as a community and a business we have emerged together as stronger and that things will continue to improve.

So, with the above in mind, it is with much pleasure that I present my report as the current Chairman of North Central Financial Services Limited (NCFS).

Despite the above distractions the Board and your company have continued to be very active during the last twelve months.

Like last year I would again thank all the customers of Community Bank Charlton & District for their willingness to work with our staff in helping to deal with the COVID-19 restrictions as they changed and developed. Your continued cooperation helped us, in assisting to ensure both their and your own good health.

On a more positive note, the seasonal prospects for agriculture this year are again looking reasonable and are helping to buoy our communities' spirits during these trying times.

The extremely low interest rates that have been a boom to our customers, have now turned and our margins are now improving. This will help improve our income and have a significant impact on our bottom line. Your company (NCFS) continues to be profitable and will be even more so at this higher rate of return. With the Board finalizing our recapitalisation these increased profits will be potentially available to fund even more community projects.

Board activity

This year the Board has again been terribly busy. The existing trend to accelerate and use of electronic banking has continued. It has permanently altered the way many of you, our customers, use the services offered by Community Bank Charlton & District. The review into banking hours that we held together with Community Bank Donald & District has been well accepted. They are helping to ensure that we can continue to best service all our customers whilst helping to ensure that your company remains viable.

Share buyback offer

It is very frustrating to report that there have been no worthwhile changes to the preconditions that Bendigo Bank requires for a share buyback, so it remains theoretically possible but, financially completely unsustainable.

Board retirements and elections

This year the retiring Directors are Angela Poxon, Neville Cloak and me. As both myself and Neville are eligible for re-election, we have nominated for a further three-year term. The Board also appointed Kerrie Mulholland to fill a casual Board vacancy. Kerrie has also been appointed to act as the new Board Secretary.

Angela has chosen not to renominate, and both the Board and I want to thank her for her service. Angela has been an important part of the HR subcommittee. She has been a strong voice for the staff and has helped appoint the team we have today at Community Bank Charlton & District. On a personal note, I thank her for her support and thoughtful input as a fellow member of the HR committee. The Board of NCFS wishes Angela and her family all the best in their future endeavors.

Bank staff

This year has seen some staff turnover. Our Branch Manager Lizzie relocated to the Bendigo Bank Branch in Swan Hill and whilst we will miss her enthusiasm our loss is their gain. We wish her well in her new role. Our new Branch Manager is a well known and respected local, Julie McKee. Julie has the full support of the Board in her new role and is enjoying the responsibility. Our new branch staff are Michelle and Sonia and they and other staff will continue to have a shared role between us and Community Bank Donald & District. Glenden Watts's new position as a Business Development Manager is progressing and I urge all clients who would like an "onsite" visit to contact him. The Board thanks all staff members for their work during the past few years of COVID-19 and thank them for their continued service to us and our community, during the abnormal stresses that we have all endured.

Dividend

The Board agreed to a dividend of two (2) cents per share for the 2020-21 year.

Sponsorships and grants

We have continued to support local clubs and organizations. The following projects were supported through either grants or sponsorship.

The Charlton Park Committee	External PA	$19,102
The Charlton Football Club	Vacuum Cleaners	$4,655
The Birchip Play Group	Outdoor Play set	$2,500
Charlton Lions Club	Lions Park Development	$22,326
Charlton Camp Draft	Portable Livestock Yards	$15,000

The Board of NCFS also invested $10,000 dollars in the Small Towns Big Differences Program. This investment help secure a Total Investment of $120,000 dollars. This money could only be spent in the Buloke Shire. Sixteen projects were funded, ranging from $1,299 to $26,130, with a total of $39,201 being directed to the Charlton Community.

We also Sponsored Sporting Clubs from Birchip, Boort, Charlton, North Central Sport and Wycheproof to the value of $ 15,100.

Combined Total $92,522

What a fantastic figure!

All shareholders and customers of Community Bank Charlton & District should take a great deal of pride in being part of the process that enabled such a figure to be contributed.

Finally, and by no means last, I wish to thank all Board members for their respective contributions and efforts over the past year. Those thanks extend to all partners (especially mine) for their support and encouragement. Board members are not paid, and a significant amount of time, effort and personal sacrifice is involved in making sure that shareholder funds are not only protected but are professionally managed and secured for the future.

Jon Whykes,
Chairman (NCFS Ltd)

Manager’s report

For year ending 30 June 2022

The 2022 financial year was one of great success for Community Bank Charlton & District with continued growth across all areas. In January 2022 I was fortunate to join the highly successful team as a Customer Relationship Officer and immediately felt part of the team. In March 2022 I was fortunate to be successful in becoming Branch Manager.

We employed new staff in March and again in August. Michelle Ride hit the ground running with her previous bank experience showing her strong passion for banking. I would also like to acknowledge Ash Egbers who has now left the Bank, for her assistance whilst working in our team.

Our existing team members Tracy Dalrymple and Alena Olive with their vast experience in the banking industry have been very accommodating and professional in their efforts to assist the new to branch staff undertake their roles, whilst keeping our customers at the forefront of everything we do. Our Business Development Manager Glenden Watts once again demonstrated his strength in lending, being very approachable and efficient in his role. Glenden always avails his customers by going out to see them in their own environments, a service which is second to none.

I truly thank all our staff members for their tireless efforts in ensuring that we are assisting Community Bank Charlton & District customers and making their banking a seamless experience. I am excited to be managing such a truly capable team and looking forward to our future endeavours.

Our Board of Directors led by Chairman Jon Whykes also deserve a huge thank-you for all their efforts throughout the past year. This group of volunteers continue to dedicate countless hours each month in ensuring North Central Financial Services Limited is run smoothly as well as ensuring our investment back into our local communities is well governed and transparent. Thank-you for the guidance you have provided to the branch team and myself over the past 12 months. Thank-you also to our local connection team in particular our Regional Manager in Shaun Leech. Shaun shows great leadership and guidance for our branch team and continues to lead from the front with his strong work ethic and values. It would be remiss of me to not mention our branch’s previous Regional Manager Paul Rains who left our business during the past year. Paul was a great asset to our team and will be sorely missed.

I look forward to seeing what Community Bank Charlton & District can achieve moving forward this year. There is an abundance of opportunity for business and personal growth within our branch and I look forward to seeing this develop.

Finally, thank-you to our customers and shareholders whose continued loyalty in our business helps us create such a meaningful impact in the Charlton and District communities. Your support cannot be underestimated in how crucial it is in making a difference to so many via our sponsorships, grants, and scholarship programs.

Julie McKee

Julie McKee
Community Bank Charlton & District

Bendigo and Adelaide Bank report

For year ending 30 June 2022

Community continues to be core to who we are at Bendigo and Adelaide Bank.

With your support, we are enabling community infrastructure to be built, strengthening the arts and culturally diverse communities, improving educational outcomes, and growing healthy places for Australians to live and work. On behalf of the Bank, thank you for continuing to play a vital role in supporting your community.

As we emerge from the pandemic and navigate a shifting economic landscape, the investments our Community Banks make in the future of the communities in which they operate has never been more important.

We are proud that more Australians are choosing to do their banking with Bendigo and Adelaide Bank – and importantly trust us with their financial needs. We are Australia's most trusted bank (Roy Morgan, May 2022), an outcome that you have all contributed to and should feel proud of.

Our purpose has never been more important; we remain committed to continuing to feed into the prosperity of our customers and communities, and not off them.

Your ongoing support as a shareholder is essential to the success of your local community. Together, we will continue to grow sustainably and make a positive impact for generations to come.

Warmest regards,

Justine Minne
Bendigo and Adelaide Bank

Community Bank National Council report

For year ending 30 June 2022

As a shareholder in your local Community Bank, you are part of this incredible social network that is playing an increasingly important role in the Australian economy.

The Community Bank network was a first mover in Australia with its unique social enterprise model. The first Community Bank opened its doors in 1998, and since then, the network has grown to 307 Community Bank branches.

The network represents a diverse cross-section of Australia with 240 social enterprises, 70,000+ shareholders, 1600+ volunteer Directors, 1600+ staff and 905,000 customers located in metro, regional, rural and remote locations across the country. It's not uncommon to visit a country town and see the Community Bank logo affixed to public amenities; at the front of schools, and on the perimeter of sporting clubs – such is the breadth and depth of our investments over the years.

The Community Bank network invests via grants, donations and sponsorships that connect with and care for generations of Australians. Funding programs range from sport, scholarships and school programs, through to community groups, cultural organisations and local councils. The Community Bank influence further extends to facilitating and attracting other partners to help subsidise much needed community projects.

The relationship with the Bank, which has been fashioned out of shared effort, risk and reward, is clearly a philosophy that works. Also supporting the network, is the Community Bank National Council (CBNC), which advocates and influences on behalf of the 240 community enterprises with its partners.

The three strategic pillars of the 2022-23 CBNC strategy are to:

- Develop a community network strategy to ensure the ongoing sustainability of our community enterprises
- Advocate for and champion the uniqueness and value of our social enterprises
- Unite the network to leverage our community presence and amplify our community impact

All Directors and shareholders should feel proud of the network which has collectively delivered enormous impact in our local communities.

We are community builders and investors with a national presence, whilst still retaining grass roots community connections. It's through this unique point of difference, and the commitment of our directors and shareholders, that we are well positioned to embrace the change that is upon us.

Next year our Community Bank network celebrates 25 years, but in many respects, it's only the beginning for our collective of social enterprises.

Warm regards

Sarah Franklyn
CBNC Chair

Directors' report

For the financial year ended 30 June 2022

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2022.

Directors
The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name:	Jon William Whykes
Title:	Chair
Experience and expertise:	Jon works in Primary production. He is a life member of Charlton Apex Club, current member and catering director of OASIS Service Club and current Secretary and Treasurer of Wooroonook CFA.
Special responsibilities:	Chairman, Human Resources, Audit Committee and Future Directions

Name:	Matthew Simon Peck
Title:	Non-executive director
Experience and expertise:	Matthew is a School Teacher.
Special responsibilities:	Audit Committee and Finance Committee

Name:	Alan Ronald Getley
Title:	Non-executive director
Experience and expertise:	Alan is an Estate Agent, Chair at Charlton Forum and Treasurer for Charlton Chamber of Commerce & Industry. He is a past President for the Buloke Tourism Board (3 years), past President for Charlton College (7 years), and past Vice President for Charlton College (1 year).
Special responsibilities:	Strategic Planning Committee

Name:	Matthew William McGurk
Title:	Non-executive director
Experience and expertise:	Mathew works as a Farmer and Agronomist.
Special responsibilities:	Nil

Name:	Neville William Cloak
Title:	Non-executive director
Experience and expertise:	Neville is a Café Owner. He is a Project Implementation Manager for Australia Post Transport Operations Support Manager and a Director at Boola Pty Ltd.
Special responsibilities:	Sponsorship, Policy and Governance Committee

Name:	Elizabeth Anne Riley
Title:	Non-executive director
Experience and expertise:	Elizabeth holds a bachelor of Accounting with eight years part time employment at accounting firm. She is also a finance officer for Charlton Neighbourhood House and a Driving Instructor at Chartsec. Elizabeth is currently a Committee and Executive member of sporting and community groups in Charlton.
Special responsibilities:	Finance Committee, Budget, Marketing and Publicity Committee

Name:	Angela Maree Poxon
Title:	Non-executive director
Experience and expertise:	Angela holds a Bachelor of Science, Diploma in Education, Graduate Diploma in Adolescent Health and Welfare, and Graduate Certification in Career Education. Angela is a Secondary Teacher, Welfare Coordinator Career Practitioner, and President of North Central Hockey Association. Angela is a current and previous Committee Member and executive of numerous sporting and community Groups in Boort.
Special responsibilities:	Human Resources and Audit Committee

Name:	Winifred Maude Scott
Title:	Non-executive director
Experience and expertise:	Winifred holds a Bachelor of Accounting, Diploma of Education, ME management, and Doctor of Education (honorary). Winfred is a CEO, and has strategic planning, management, marketing, financial management, and human resource oversight board positions in Mildura, Charlton and State Government. He is Chair for Mallee Regional Partnership and Deputy Chair NC LLGN.
Special responsibilities:	Strategic Planning Committee

Name:	Kerrie Louise Mulholland
Title:	Non-executive director (appointed 15 November 2021)
Experience and expertise:	Kerrie works as a Senior Economic Development Officer at Buloke Shire Council. Kerrie has a diploma in Business & Hospitality/Tourism and is a current committee member of Buloke Tourism Board and Wimmera Mallee Tourism Board.
Special responsibilities:	Secretary

Name:	Amy Carissa Nicolson
Title:	Non-executive director (resigned 18 October 2021)
Experience and expertise:	Amy works in administration. She holds a Bachelor of Agribusiness - CSU Wagga Wagga 2003, 10 years full time employment and 6 years part time employment in agriculture administration, marketing and customer relations. Amy is a current committee member of Charlton Netball Club, Charlton Agriculture - Pastoral Society - Charlton Park 2020 Project.
Special responsibilities:	Marketing and Publicity Committee

No directors have material interest in contracts or proposed contracts with the company.

Company secretary
There have been two company secretaries holding the position during the financial year:

- Kerrie Mulholland was appointed company secretary on 1 January 2022
- John Harley was appointed company secretary on 21 April 2008 and ceased on 31 December 2021

Principal activity
The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

There have been no significant changes in the nature of this activity during the financial year.

Review of operations
The profit for the company after providing for income tax amounted to $50,706 (30 June 2021: $32,449).

Operations have continued to perform in line with expectations.

Dividends
During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	2022 $
Fully franked dividend of 2 cents per share (2021: 2 cents)	8,148

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments
The company will continue its policy of facilitating banking services to the community.

Environmental regulation
The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Meetings of directors
The number of directors' meetings attended by each of the directors' of the company during the financial year were:

	Board	
	Eligible	Attended
Jon William Whykes	12	12
Matthew Simon Peck	12	12
Alan Ronald Getley	12	10
Matthew William McGurk	12	11
Neville William Cloak	12	11
Elizabeth Anne Riley	12	10
Angela Maree Poxon	12	7
Winifred Maude Scott	12	10
Kerrie Louise Mulholland	7	7
Amy Carissa Nicolson	4	4

Directors' benefits
No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Directors' interests
The interest in company shareholdings for each director are:

	Balance at the start of the year $	Changes $	Balance at the end of the year $
Jon William Whykes	1,500	-	1,500
Matthew Simon Peck	3,201	-	3,201
Alan Ronald Getley	4,500	-	4,500
Matthew William McGurk	-	-	-
Neville William Cloak	-	-	-
Elizabeth Anne Riley	-	-	-
Angela Maree Poxon	-	-	-
Winifred Maude Scott	-	-	-
Kerrie Louise Mulholland	-	-	-
Amy Carissa Nicolson	-	-	-

Indemnity and insurance of directors and officers
The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Non-audit services
The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 26 to the accounts.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001.*

On behalf of the directors

Jon William Whykes
Chair

2 September 2022

Auditor’s independence declaration

AFS
Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550
afs@afsbendigo.com.au
03 5443 0344

Independent auditor’s independence declaration under section 307C of the *Corporations Act 2001* to the Directors of North Central Financial Services Limited

As lead auditor for the audit of North Central Financial Services Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 2 September 2022

Adrian Downing
Lead Auditor

Financial statements

North Central Financial Services Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue from contracts with customers	6	751,093	660,834
Other revenue	7	11,250	41,536
Finance revenue		1,539	1,997
Employee benefits expense	8	(364,264)	(324,885)
Advertising and marketing costs		(3,295)	(3,000)
Occupancy and associated costs		(19,934)	(15,699)
System costs		(16,785)	(17,961)
Depreciation and amortisation expense	8	(27,519)	(27,356)
Finance costs	8	(11,552)	(12,024)
General administration expenses		(173,062)	(174,494)
Profit before community contributions and income tax expense		147,471	128,948
Charitable donations and sponsorships expense		(79,101)	(89,342)
Profit before income tax expense		68,370	39,606
Income tax expense	9	(17,664)	(7,157)
Profit after income tax expense for the year	20	50,706	32,449
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		50,706	32,449
		Cents	**Cents**
Basic earnings per share	28	12.44	7.96
Diluted earnings per share	28	12.44	7.96

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

North Central Financial Services Limited
Statement of financial position
As at 30 June 2022

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	10	495,638	466,111
Trade and other receivables	11	88,231	58,328
Total current assets		583,869	524,439
Non-current assets			
Property, plant and equipment	12	10,929	13,671
Right-of-use assets	13	112,065	122,027
Intangibles	14	17,161	30,383
Deferred tax assets	9	40,319	39,119
Total non-current assets		180,474	205,200
Total assets		764,343	729,639
Liabilities			
Current liabilities			
Trade and other payables	15	47,320	36,982
Lease liabilities	16	12,071	10,864
Current tax liabilities	9	11,797	6,478
Employee benefits	17	40,398	38,133
Total current liabilities		111,586	92,457
Non-current liabilities			
Trade and other payables	15	-	15,512
Lease liabilities	16	212,829	224,899
Employee benefits	17	7,595	7,405
Provisions	18	8,760	8,351
Total non-current liabilities		229,184	256,167
Total liabilities		340,770	348,624
Net assets		423,573	381,015
Equity			
Issued capital	19	384,288	384,288
Retained earnings/(accumulated losses)	20	39,285	(3,273)
Total equity		423,573	381,015

The above statement of financial position should be read in conjunction with the accompanying notes

North Central Financial Services Limited
Statement of changes in equity
For the year ended 30 June 2022

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2020		384,288	(27,574)	356,714
Profit after income tax expense		-	32,449	32,449
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	32,449	32,449
Transactions with owners in their capacity as owners:				
Dividends provided for	22	-	(8,148)	(8,148)
Balance at 30 June 2021		384,288	(3,273)	381,015
Balance at 1 July 2021		384,288	(3,273)	381,015
Profit after income tax expense		-	50,706	50,706
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	50,706	50,706
Transactions with owners in their capacity as owners:				
Dividends provided for	22	-	(8,148)	(8,148)
Balance at 30 June 2022		384,288	39,285	423,573

The above statement of changes in equity should be read in conjunction with the accompanying notes

North Central Financial Services Limited
Statement of cash flows
For the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		809,066	764,913
Payments to suppliers and employees (inclusive of GST)		(721,578)	(644,175)
		87,488	120,738
Interest received		1,433	1,997
Income taxes paid		(13,545)	(4,091)
Net cash provided by operating activities	27	75,376	118,644
Cash flows from investing activities			
Payments for property, plant and equipment		(1,593)	(2,135)
Payments for intangibles		(14,102)	(14,102)
Net cash used in investing activities		(15,695)	(16,237)
Cash flows from financing activities			
Dividends paid	22	(8,148)	(8,148)
Repayment of lease liabilities	16	(22,006)	(21,369)
Net cash used in financing activities		(30,154)	(29,517)
Net increase in cash and cash equivalents		29,527	72,890
Cash and cash equivalents at the beginning of the financial year		466,111	393,221
Cash and cash equivalents at the end of the financial year	10	495,638	466,111

The above statement of cash flows should be read in conjunction with the accompanying notes

Notes to the financial statements

For the year ended 30 June 2022

Note 1. Reporting entity

The financial statements cover North Central Financial Services Limited (the company) as an individual entity. The financial statements are presented in Australian dollars, which is company's functional and presentation currency.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 39-41 High Street, Charlton Vic 3525.

A description of the nature of the company's operations and its principal activity is included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 2 September 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial statements have been prepared on an accrual and historical cost basis.

Note 3. Significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

Changes in accounting policies, standards and interpretations
There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2021, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when, it is expected to be realised or intended to be sold or consumed in the company's normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when, it is either expected to be settled in the company's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Impairment
Non-derivative financial assets
Expected credit losses (ECL) are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Note 3. Significant accounting policies (continued)

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2022.

Non-financial assets
At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Estimation of useful lives of assets
The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 4. Critical accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision
The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and inflation have been taken into account.

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Note 5. Economic dependency

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

Note 5. Economic dependency (continued)

The company operates as a franchise of Bendigo Bank, using the name “Bendigo Bank” and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo Bank entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations
- providing payroll services.

Note 6. Revenue from contracts with customers

	2022 $	2021 $
Margin income	524,879	457,343
Fee income	39,341	38,817
Commission income	186,873	164,674
Revenue from contracts with customers	751,093	660,834

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under *AASB 15 Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

Note 6. Revenue from contracts with customers (continued)

Revenue stream	Includes	Performance obligation	Timing of recognition
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

All revenue is stated net of the amount of GST. There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation
The franchise agreement provides that three forms of revenue may be earned by the company which are margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services. The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Margin
Margin is arrived at through the following calculation:

	Interest paid by customers on loans less interest paid to customers on deposits
plus:	any deposit returns i.e. interest return applied by Bendigo Bank for a deposit
minus:	any costs of funds i.e. interest applied by Bendigo Bank to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

Commission
Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

Fee income
Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Core banking products
Bendigo Bank has identified some products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Ability to change financial return
Under the franchise agreement, Bendigo Bank may change the form and amount of financial return the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo Bank earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service.

Bendigo Bank must not reduce the margin and commission the company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo Bank’s margin at that time. For other products and services, there is no restriction on the change Bendigo Bank may make.

Note 7. Other revenue

	2022 $	2021 $
Market development fund	11,250	22,500
Cash flow boost	-	19,036
Other revenue	11,250	41,536

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

Revenue stream	Revenue recognition policy
Discretionary financial contributions (also "Market development fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).

All revenue is stated net of the amount of GST.

Discretionary financial contributions
In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the company.

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and grants. It is for the Board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

Cash flow boost
In response to the COVID-19 outbreak, *Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020* (CFB Act) was enacted. The purpose was to provide temporary cash flow to small and medium sized businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received are in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts.

Note 8. Expenses

Depreciation and amortisation expense

	2022 $	2021 $
Depreciation of non-current assets		
Plant and equipment	4,335	4,173
Depreciation of right-of-use assets		
Leased land and buildings	9,962	9,961
Amortisation of intangible assets		
Franchise fee	2,204	2,204
Franchise renewal process fee	11,018	11,018
	13,222	13,222
	27,519	27,356

Finance costs

	2022 $	2021 $
Lease interest expense	11,143	11,634
Unwinding of make-good provision	409	390
	11,552	12,024

Finance costs are recognised as expenses when incurred using the effective interest rate.

Employee benefits expense

	2022 $	2021 $
Wages and salaries	318,136	282,885
Superannuation contributions	33,577	26,114
Expenses related to long service leave	428	6,108
Other expenses	12,123	9,778
	364,264	324,885

Leases recognition exemption

	2022 $	2021 $
Expenses relating to low-value leases	6,137	5,820

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.

Note 9. Income tax

	2022 $	2021 $
Income tax expense		
Current tax	18,771	9,673
Movement in deferred tax	(1,200)	(4,081)
Under/over adjustment	93	-
Reduction in company tax rate	-	1,565
Aggregate income tax expense	17,664	7,157
Prima facie income tax reconciliation		
Profit before income tax expense	68,370	39,606
Tax at the statutory tax rate of 25% (2021: 26%)	17,093	10,298
Tax effect of:		
Non-deductible expenses	478	221
Reduction in company tax rate	-	1,565
Other assessable income	-	(4,927)
	17,571	7,157
Under/over adjustment	93	-
Income tax expense	17,664	7,157

	2022 $	2021 $
Deferred tax assets/(liabilities)		
Property, plant and equipment	(2,732)	(3,418)
Employee benefits	11,998	11,385
Provision for lease make good	2,190	2,088
Accrued expenses	800	750
Income accruals	(146)	(120)
Lease liabilities	56,225	58,941
Right-of-use assets	(28,016)	(30,507)
Deferred tax asset	40,319	39,119

	2022 $	2021 $
Provision for income tax	11,797	6,478

Accounting policy for income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Accounting policy for current tax
Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Note 9. Income tax (continued)

Accounting policy for deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

Note 10. Cash and cash equivalents

	2022 $	2021 $
Cash at bank and on hand	495,638	466,111

Accounting policy for cash and cash equivalents
For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

Note 11. Trade and other receivables

	2022 $	2021 $
Trade receivables	83,292	52,853
Accrued income	585	479
Prepayments	4,354	4,996
	4,939	5,475
	88,231	58,328

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 12. Property, plant and equipment

	2022 $	2021 $
Plant and equipment - at cost	98,079	96,486
Less: Accumulated depreciation	(87,150)	(82,815)
	10,929	13,671

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant and equipment $	Total $
Balance at 1 July 2020	15,709	15,709
Additions	2,135	2,135
Depreciation	(4,173)	(4,173)
Balance at 30 June 2021	13,671	13,671
Additions	1,593	1,593
Depreciation	(4,335)	(4,335)
Balance at 30 June 2022	10,929	10,929

Accounting policy for property, plant and equipment
Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	1 to 40 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Changes in estimates
During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

Note 13. Right-of-use assets

	2022 $	2021 $
Land and buildings - right-of-use	298,840	298,840
Less: Accumulated depreciation	(186,775)	(176,813)
	112,065	122,027

Note 13. Right-of-use assets (continued)

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land and buildings $	Total $
Balance at 1 July 2020	131,988	131,988
Depreciation expense	(9,961)	(9,961)
Balance at 30 June 2021	122,027	122,027
Depreciation expense	(9,962)	(9,962)
Balance at 30 June 2022	112,065	112,065

Accounting policy for right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Refer to note 16 for more information on lease arrangements.

Note 14. Intangibles

	2022 $	**2021 $**
Franchise fee	79,731	79,731
Less: Accumulated amortisation	(76,882)	(74,678)
	2,849	5,053
Franchise renewal fee	55,093	55,093
Less: Accumulated amortisation	(40,781)	(29,763)
	14,312	25,330
	17,161	30,383

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Franchise fee $	Franchise renewal fee $	Total $
Balance at 1 July 2020	7,257	36,348	43,605
Amortisation expense	(2,204)	(11,018)	(13,222)
Balance at 30 June 2021	5,053	25,330	30,383
Amortisation expense	(2,204)	(11,018)	(13,222)
Balance at 30 June 2022	2,849	14,312	17,161

Note 14. Intangibles (continued)

Accounting policy for intangible assets
Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

Asset class	Method	Useful life	Expiry/renewal date
Franchise fee	Straight-line	Over the franchise term (5 years)	October 2023
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	October 2023

Amortisation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

Change in estimates
During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods. There were no changes in estimates for the current reporting period.

Note 15. Trade and other payables

	2022 $	2021 $
Current liabilities		
Trade payables	849	558
Other payables and accruals	46,471	36,424
	47,320	36,982
Non-current liabilities		
Other payables and accruals	-	15,512

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Where the company is liable to settle the amount within 12 months of the reporting date, the liability is classified as current. All other obligations are classified as non-current.

Note 16. Lease liabilities

	2022 $	2021 $
Current liabilities		
Land and buildings lease liabilities	22,667	22,007
Unexpired interest	(10,596)	(11,143)
	12,071	10,864
Non-current liabilities		
Land and buildings lease liabilities	273,582	296,248
Unexpired interest	(60,753)	(71,349)
	212,829	224,899

Reconciliation of lease liabilities

	2022 $	2021 $
Opening balance	235,763	245,498
Lease interest expense	11,143	11,634
Lease payments - total cash outflow	(22,006)	(21,369)
	224,900	235,763

Maturity analysis

	2022 $	2021 $
Not later than 12 months	22,667	22,007
Between 12 months and 5 years	97,677	93,094
Greater than 5 years	175,905	203,154
	296,249	318,255

Accounting policy for lease liabilities
Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected not to separate lease and non-lease components when calculating the lease liability.

The company has applied judgement in estimating the remaining lease term including the effects of any extension options reasonably expected to be exercised, applying hindsight where appropriate.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Note 16. Lease liabilities (continued)

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

The company's lease portfolio includes:

Charlton branch	The lease agreement commenced in October 2003. A 10 year renewal option was exercised in October 2013. The company has 1 x 10 year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is October 2033. The discount rate used in calculations is 4.79%.

Note 17. Employee benefits

	2022 $	**2021 $**
Current liabilities		
Annual leave	23,556	21,529
Long service leave	16,842	16,604
	40,398	38,133
Non-current liabilities		
Long service leave	7,595	7,405

Accounting policy for employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated. The company's obligations for short-term employee benefits such as salaries and wages are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

Superannuation contributions
Contributions to superannuation plans are expensed in the period in which they are incurred.

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Note 17. Employee benefits (continued)

Remeasurements are recognised in profit or loss in the period in which they arise.

Note 18. Provisions

	2022 $	2021 $
Lease make good	8,760	8,351

Lease make good
In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be $15,000 for the Charlton branch lease, based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on October 2033 at which time it is expected the face-value costs to restore the premises will fall due.

Accounting policy for provisions
Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 19. Issued capital

	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	407,458	407,458	407,458	407,458
Less: Equity raising costs	-	-	(23,170)	(23,170)
	407,458	407,458	384,288	384,288

Accounting policy for issued capital
Ordinary shares are recognised at the fair value of the consideration received by the company being $1 per share. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Rights attached to issued capital

Ordinary shares
Voting rights
Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank branch have the same ability to influence the operation of the company.

Note 19. Issued capital (continued)

Dividends
Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo Bank contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

Transfer
Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

Prohibited shareholding interest
A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The Board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the Board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the Board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the Board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the Board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 20. Retained earnings/(accumulated losses)

	2022 $	**2021 $**
Accumulated losses at the beginning of the financial year	(3,273)	(27,574)
Profit after income tax expense for the year	50,706	32,449
Dividends paid (note 22)	(8,148)	(8,148)
Retained earnings/(accumulated losses) at the end of the financial year	39,285	(3,273)

Note 21. Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board monitor the return on capital and the level of distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

Note 21. Capital management (continued)

In accordance with the franchise agreement, in any 12 month period the funds distributed to shareholders shall not exceed the distribution limit.

The distribution limit is the greater of:
- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the financial year can be seen in the statement of profit or loss and other comprehensive Income.

There were no changes in the company's approach to capital management during the year.

Note 22. Dividends

The following dividends were provided for and paid to shareholders during the financial year as presented in the Statement of changes in equity and Statement of cash flows.

	2022 $	2021 $
Fully franked dividend of 2 cents per share (2021: 2 cents)	8,148	8,148

Franking credits

	2022 $	2021 $
Franking account balance at the beginning of the financial year	103,237	102,009
Franking credits (debits) arising from income taxes paid (refunded)	13,545	4,091
Franking debits from the payment of franked distributions	(2,716)	(2,863)
	114,066	103,237
Franking transactions that will arise subsequent to the financial year end:		
Balance at the end of the financial year	114,066	103,237
Franking credits (debits) that will arise from payment (refund) of income tax	11,797	6,570
Franking credits available for future reporting periods	125,863	109,807

The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

Accounting policy for dividends
Dividends are recognised in the financial year they are declared.

Note 23. Financial instruments

	2022 $	2021 $
Financial assets		
Trade and other receivables	88,231	58,328
Cash and cash equivalents	495,638	466,111
	583,869	524,439
Financial liabilities		
Trade and other payables	47,320	52,494
Lease liabilities	224,900	235,763
	272,220	288,257

Accounting policy for financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents and lease liabilities.

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus, transaction costs (where applicable) when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Financial risk management
The company has exposure to credit, liquidity and market risk arising from financial instruments. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments. Risk management is carried out directly by the Board.

Market risk
Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Price risk
The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

Cash flow and fair value interest rate risk
Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of $495,638 at 30 June 2022 (2021: $466,111). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Credit risk
Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

Note 23. Financial instruments (continued)

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

Liquidity risk
Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Exposure to liquidity risk
The following are the remaining contractual maturities of financial liabilities. The contractual cash flow amounts are gross and undiscounted and therefore may differ from their carrying amount in the statement of financial position.

2022	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	47,320	-	-	47,320
Lease liabilities	22,667	97,677	175,905	296,249
Total non-derivatives	69,987	97,677	175,905	343,569

2021	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	36,982	15,512	-	52,494
Lease liabilities	22,007	93,094	203,154	318,255
Total non-derivatives	58,989	108,606	203,154	370,749

Note 24. Key management personnel disclosures

The following persons were directors of North Central Financial Services Limited during the financial year:

Jon William Whykes
Matthew Simon Peck
Alan Ronald Getley
Matthew William McGurk
Kerrie Louise Mulholland
Elizabeth Anne Riley
Angela Maree Poxon
Winifred Maude Scott
Neville William Cloak
Amy Carissa Nicolson

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Note 25. Related party transactions

There were no transactions with related parties during the current and previous financial year.

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Andrew Frewin Stewart, the auditor of the company:

	2022 $	2021 $
Audit services		
Audit or review of the financial statements	5,200	5,000
Other services		
Taxation advice and tax compliance services	1,000	1,000
General advisory services	2,095	2,690
	3,095	3,690
	8,295	8,690

Note 27. Reconciliation of profit after income tax to net cash provided by operating activities

	2022 $	2021 $
Profit after income tax expense for the year	50,706	32,449
Adjustments for:		
Depreciation and amortisation	27,519	27,356
Lease liabilities interest	11,143	11,634
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(29,903)	21,665
Increase in deferred tax assets	(1,200)	(2,516)
Increase in trade and other payables	8,928	9,249
Increase in provision for income tax	5,319	5,582
Increase in employee benefits	2,455	12,835
Increase in other provisions	409	390
Net cash provided by operating activities	75,376	118,644

Note 28. Earnings per share

	2022 $	2021 $
Profit after income tax	50,706	32,449
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	407,458	407,458
Weighted average number of ordinary shares used in calculating diluted earnings per share	407,458	407,458
	Cents	**Cents**
Basic earnings per share	12.44	7.96
Diluted earnings per share	12.44	7.96

Note 28. Earnings per share (continued)

Accounting policy for earnings per share
Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of North Central Financial Services Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Note 29. Commitments

The company has no commitments contracted for which would be provided for in future reporting periods.

Note 30. Contingencies

There were no contingent liabilities or contingent assets at the date of this report to affect the financial statements.

Note 31. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Directors' declaration

For the financial year ended 30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;

- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Jon William Whykes
Chair

2 September 2022

Independent audit report

61 Bull Street
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03 5443 0344

Independent auditor's report to the Directors of North Central Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of North Central Financial Services Limited's (the company), which comprises:

- Statement of financial position as at 30 June 2022
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of North Central Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AFS
Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550
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Other Information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 2 September 2022

Adrian Downing
Lead Auditor

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Bendigo Bank